

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07

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OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /101 W

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 3566

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

USMISSION BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMCONSUL LENINGRAD

AMEMBASSY LONDON

AMCONSUL MUNICH

USMISSION NATO

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

/AMEMBASSY WARSAW 4536

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ECIN, COMECON

SUBJECT: INITIAL CALL ON CEMA SECRETARIAT

REF: MOSCOW 1016

SUMMARY: VISIT OF EMBASSY OFFICERS WAS CHARACTERIZED BY
FRIENDLY WELCOME AND APPARENT OPENNESS ON PART OF STAFF OF
SECRETARIAT OF COUNCIL FOR MUTUAL ECONOMIC AID ALTHOUGH
LATTER SUCCESSFULLY EVADED SUBSTANTIVE COMMENT ON THE MORE
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SENSITIVE ISSUES, SUCH AS PRICES, OIL AND CURRENCY. EMBOFFS
WERE TOLD THAT PRESENT CEMA PRICE FOR OIL BASED ON 5-YEAR
AVERAGE AND THAT SOVIETS WOULD CONTINUE SATISFY EAST EUROPEAN
OIL NEEDS UP TO 1980. ALTHOUGH NOT EXCLUDING CONVERTIBILITY
OF RUBLE FOR ALL TIME, CEMA OFFICIAL STATED THAT IT NOT YET
TIME FOR SUCH A MOVE. ALTHOUGH CEMA NOW WORKING ON RESPONSE
TO LONG-DELAYED EC MESSAGE, IT WILL TAKE TIME BEFORE IT IS

PREPARED. END SUMMARY.

1. INITIAL CALL JAN 25 BY ECON COUNSELOR AND EMBOFF ON SECRETARIAT OF COUNCIL FOR MUTUAL ECONOMIC AID (CEMA) BEGAN WITH WARM WELCOME BY L.I. LUKIN, COUNSELOR ON SECRETARIAT WITH RESPONSIBILITY FOR FOREIGN ECONOMIC RELATIONS. ALSO PRESENT WERE SENIOR ADVISOR V.A. SAMOILOV AND N.N. BOL'SHIKOV. WHILE CONVERSATIONS DID NOT REVEAL ANY NEW INFORMATION OF MAJOR IMPORTANCE, LUKIN INVITED HIS VISITORS TO RAISE ANY QUESTIONS THEY DESIRED AND IN GENERAL APPEARED TO MAKE EFFORT TO REPLY FRANKLY, IF SOMETIMES CAUTIOUSLY, TO QUESTIONS RAISED.

2. CONCERNING CEMA ENERGY POLICY, LUKIN DISCLAIMED THAT CEMA COUNTRIES HAD AT ANY TIME ENTERTAINED NOTION OF ACHIEVING AUTARCHY BUT HAD FROM BEGINNING DEVOTED ATTENTION TO NEEDS IN ENERGY FIELD - NOT ONLY RECENTLY AS IN WEST. CEMA COUNTRIES, ACCORDING TO LUKIN, ARE PREPARED TO COOPERATE WITH ANY AND ALL COUNTRIES IN FIELD OF ENERGY. IN JUSTIFYING RISE IN PRICE OF OIL IN INTRA-CEMA TRADE, HE RECOUNTED HISTORY OF CEMA PRICING POLICY AND REVEALED THAT CURRENT PRICE OF OIL IN INTRA-CEMA TRADE ALSO BASED ON FIVE-YEAR MOVING AVERAGE OF WORLD OIL PRICES, I.E., 1972-76 AVERAGE. LUKIN WAS MORE EVASIVE IN REPLYING TO QUESTION CONCERNING DEGREE TO WHICH SOVIETS ARE WILLING TO MEET OIL IMPORT NEEDS OF ITS CEMA PARTNERS. ARGUING RATHER LAMELY THAT SOVIET UNION WILL CONTINUE FULLY TO MEET THEIR NEEDS UP TO 1980, HE STATED SITUATION WILL CHANGE AFTER 1980. CEMA COUNTRIES ARE DEVELOPING NEW PROGRAMS FOR THIS PERIOD UTILIZING SCIENTIFIC ADVANCES LIMITED OFFICIAL USE

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IN ALL FIELDS OF ENERGY AND NOT ORIENTED ONLY TOWARD OIL. WITH REGARD TO ABOVE-PROTOCOL DELIVERIES OF OIL, LUKIN ADMITTED THAT PAYMENT WAS A RESULT OF BARGAINING IN WHICH RECIPIENT OF OIL REQUIRED TO PROVIDE OTHER "DEFICIT GOODS".

3. DISCUSSING POSSIBILITY OF CREATING A CONVERTIBLE RUBLE, LUKIN CLAIMED THAT CEMA COUNTRIES COULD INTRODUCE CONVERTIBLE RUBLE AT ANYTIME THEY WISHED. BUT IF DONE SOME COUNTRIES

WOULD GAIN AND SOME LOSE (PRESUMABLY LATTER ARE THOSE WHOSE PRODUCTS ARE LEAST COMPETITIVE AND THOSE WHO RUN DEFICIT IN INTRA-CEMA TRADE). LUKIN STATED THAT, FOR PRESENT, USE OF TRANSFERABLE RUBLE (TR) WAS SATISFACTORY FOR CEMA TRADE AND COOPERATION NEEDS. TR WAS STABLE CURRENCY, WITH VALUE FIXED IN GOLD, AND USE OF ANOTHER CURRENCY LACKING SUCH STABILITY DUE TO FLOATING RATES WOULD CAUSE GREAT DIFFICULTIES. THUS, "EXPERIENCE SHOWS THAT IT IS NOT YET TIME FOR CONVERTIBILITY OF RUBLE." SINCE DIRECTORS OF ALL CEMA NATIONAL BANKS REPRESENTED ON BOARD OF INTERNATIONAL BANK FOR ECONOMIC

COOPERATION (IBEC), THEY HAD OPPORTUNITY TO DISCUSS THESE PROBLEMS. FINALLY, ACCORDING TO LUKIN, THE DIRECTORS ARE AWARE THAT CONVERTIBILITY IS A VERY IMPORTANT QUESTION AND THEY ARE DEALING WITH IT. HE DID NOT SAY IN WHAT WAY, BUT HE HAD ALREADY MENTIONED POSSIBILITY FOR NON-CEMA-MEMBER COUNTRIES TO HOLD TR ACCOUNTS.

4. WHEN ASKED IF CEMA JOINT INVESTMENT PROJECT IN ORENBURG GAS PROVIDED FOR DELIVERY DURING FIXED PERIOD OF AGREED QUANTITIES OF NATURAL GAS (15.5 BILLION CUBIC METERS ANNUALLY) AS REPAYMENT FOR EAST EUROPEAN INVESTMENT, LUKIN SURPRISINGLY STATED THAT EXACT DURATION OF REPAYMENT DELIVERIES AT THIS RATE WAS ALREADY SET FORTH IN AGREEMENTS, BUT CLAIMED THAT HE DID NOT HAVE THE DURATION OF DELIVERY PERIOD IN HIS HEAD.

5. WHEN ASKED WHEN CEMA MIGHT RESPOND TO EC REPLY TO EARLIER CEMA PROPOSAL, LUKIN REFERRED TO NINE-MONTH DELAY ("A BABY LIMITED OFFICIAL USE

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COULD HAVE BEEN BORN") BETWEEN CEMA PROPOSAL AND EC REPLY AND LAUGHINGLY SAID THAT ONE COULD NOT IN RETURN EXPECT CEMA REPLY TO BE IMMEDIATELY FORTHCOMING. IN ANY CASE, COOPERATION IN VARIOUS FIELDS BETWEEN TWO ORGANIZATIONS WERE CONTINUING TO PROGRESS.

6. COMMENT: OUR CEMA INTERLOCUTORS SEEMED AT SOME PAINS TO CREATE IMPRESSION OF OPENNESS AND RECEPTIVITY TO APPROACHES ON OUR PART. WHEREAS WE WERE ABLE TO SET UP MEETING ONLY THROUGH WRITTEN REQUEST (ACCORDING TO CEMA REGULATIONS), WE WERE TOLD THAT IN FUTURE WE SHOULD SIMPLY PHONE DIRECTLY TO SET UP MEETING ON ANY SUBJECT WE WANTED DISCUSS. GIVEN EQUALLY WARM RECEPTION AT IBEC (MOSCOW 1016), WE SPECULATE THAT AT LEAST PART OF REASON FOR WARMTH OF RECEPTION IS DESIRE TO APPEAR IN BEST POSSIBLE LIGHT PRIOR TO BELGRADE REVIEW OF CSCE. ADDITIONAL REASON FOR THESE TWO INSITUATIONS MAY ALSO BE DESIRE TO ENHANCE THEIR OWN IMAGES AS INTERNATIONAL ORGANIZATIONS.
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Message Attributes

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Disposition Date: 22 May 2009
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